

## Message Text

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OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

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FM USMISSION OECD PARIS  
TO SECSTATE WASHDC 1098  
INFO AMEMBASSY ANKARA  
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USMISSION GENEVA  
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AMEMBASSY MADRID  
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AMEMBASSY PARIS  
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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: 102ND SESSION COMMITTEE OF INVISIBLES TRANSACTIONS

REF: A. OECD A-206

B. DAF/INV/73.58

C. DAF/INV/73.61

D. DAF/INV/73.62

E.DAF/INV/73.68

1. SUMMARY. AT ITS MEETING ON OCT 24-26, INVISIBLES COMMITTEE (IC) COMPLETED FIRST EXAMINATION OF LONG-DELAYED FRENCH CAPITAL MARKET STUDY AND CONSIDERED CURRENT STATUS FRENCH DEROGATIONS AND RESERVATIONS. MAIN CONCLUSION WAS THAT CONTINUED MAINTENANCE OF BASICALLY PRECAUTIONARY MEASURES IS INCONSISTENT WITH STATED FRENCH DESIRE REMOVE IMPEDIMENTS TO GROWTH OF AN INTERNATIONAL CAPITAL MARKET IN PARIS. IC DOUBTED CONTINUED JUSTIFICATION FOR DEROGATIONS ON GIFTS TO RELATIVES ABROAD, INCREASES IN FOREIGN REAL ESTATE HOLDINGS, AND FRANC LOANS TO FOREIGNERS, ESPECIALLY IN VIEW STRONG PAYMENTS POSITION AND SIZABLE CAPITAL INFLOWS. FRENCH MAY WITHDRAW THESE DEROGATIONS AND REPLACE SOME OF THEM WITH LIST RESERVATIONS. IC ALSO VIGOROUSLY CHALLENGED NEED FOR RESERVATIONS ON PLACEMENT OF FOREIGN SECURITIES ON DOMESTIC MARKETS. FRANCE, BELGIUM, SWITZERLAND, FINLAND AND UK NOTIFIED IC OF CHANGES IN EXCHANGE REGULATIONS. SWEDEN INFORMED IC OF INTENTION REMOVE THREE OF REMAINING FOUR DEROGATIONS SHORTLY. BRIEF DISCUSSION COMMITTEE'S WORK ON OUTWARD CAPITAL MOVEMENTS CONCLUDED MEETING. NEXT MEETING SCHEDULED DEC 5-7. ALTERNATES MEETING ON FILMS SCHEDULED DEC 11. END SUMMARY.

2. SECRETARIAT NOTED THAT PAPER ON INTERNATIONAL DIRECT INVESTMENTS WAS BEING REDRAFTED AND WOULD NOT BE AVAILABLE FOR DISCUSSION AT THIS MEETING. INSTEAD, SECRETARIAT SUBSTITUTED REPORT ON OUTWARD CAPITAL MOVEMENTS (PARA 19 BELOW).

3. DEVELOPMENTS SINCE 101ST SESSION. SECRETARIAT REPORTED RESULTS OF COMMITTEE ON MONETARY AND FOREIGN EXCHANGE MARKETS (CMX) MEETING OCT 15-16. IC EXPRESSED CONCERN REGARDING POSSIBLE LIMITED OFFICIAL USE  
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OVERLAP OF IC AND CMX ACTIVITIES, BUT WAS ASSURED BY CMX REP AND SECRETARIAT THAT CMX DEALS MAINLY WITH GENERAL INFLUENCES OVER CHANGES IN EXCHANGE RATES AND DOES NOT CONFLICT AND IC SPECIAL CONCERN WITH CODE REQUIREMENTS. SECRETARIAT ALSO REPORTED ON XCSS EXPERTS MEETING OF OCT 16-17 AND RAISED QUESTION REGARDING TAKEOVER PROVISIONS IN CODE AND DESIRABILITY SPECIFY INDIVIDUAL COUNTRY EXEMPTIONS. ALTHOUGH NOTING THAT SUCH LIST OF EXEMPTIONS MIGHT NOT BE ACCEPTABLE TO GOVERNMENTS, SECRETARIAT OFFERED PROVIDE BROAD GUIDELINES IF DESIRED. SECRETARIAT ALSO REPORTED ON FOUR IC ITEMS APPROVED BY COUNCIL OCT 16 (SEE REF A), ONE OF WHICH CONCERNED RESTRICTIONS ON VIDEO-CASSETTES. SPAIN HAD NOTED IN COUNCIL THAT IT HOPED FILMS

EXPERTS WOULD SEEK MORE PRECISE DEFINITION OF VIDEO-CASSETTES. SECRETARIAT ASKED SPAIN TO INFORM IC WHETHER ITEM REQUIRED URGENT CONSIDERATION OR COULD BE LEFT TO FILMS EXPERTS AT MEETING NEXT YEAR. SPAIN WILL REPORT LATER.

4. CHANGES IN COUNTRY EXCHANGE REGULATIONS. FRANCE NOTED THAT IT HAD REPEALED MEASURES TAKEN IN MARCH TO CONTROL SHORT-TERM CAPITAL INFLOWS, BUT THOUGHT THIS WOULD NOT EFFECT ITS CODE OBLIGATIONS. SWITZERLAND NOTED THAT IT HAD LIFTED NEGATIVE COMMISSION RATE ON NON-RESIDENT DEPOSITS AND ALSO REQUIREMENT THAT BANKS BALANCE FOREIGN CURRENCY ASSETS EVERY DAY. BELGIUM NOTED THAT IT HAD LIFTED ITS NEGATIVE COMMISSION RATE ON NON-RESIDENT ACCOUNTS IN AUGUST, BUT HAD REINSTATED IT AFTER DUTCH GUILDER REVALUATION IN SEPTEMBER. UK REPORTED THAT RESTRICTION ON DURATION OF LOANS BY RESIDENTS TO NON-RESIDENTS HAD BEEN AMENDED SO THAT APPROVAL ONLY NEEDED FOR LOANS UNDER TWO YEARS INSTEAD OF PREVIOUS FIVE YEARS. HOWEVER, UK NOT PLANNING REDUCE SCOPE ITS RESERVATION, SINCE CERTAIN CATEGORIES (AS YET UNSPECIFIED) OF LOANS OVER TWO YEARS MIGHT STILL BE CONTROLLED. FINLAND INDICATED THAT EXPORTS OF SAWN TIMBER WOULD BE SUBJECT TO CASH DEPOSIT REQUIREMENT FOR ADVANCE PAYMENTS EXCEEDING 50 PERCENT OF VALUE OF EXPORTS. THIS REQUIREMENT DESIGNED TO SUPPORT DOMESTIC MONETARY POLICY.

5. SWEDISH DEROGATIONS. SWEDEN NOTED IT EXPECTED SOON TO GIVE FORMAL NOTICE OF REMOVAL OF THREE OF ITS FOUR CAPITAL CODE DEROGATIONS. IT INTENDS TO REMOVE DEROGATIONS ON 1) SALES OF SWEDISH SECURITIES ABROAD BY NON-RESIDENTS TO RESIDENTS; 2) IMMIGRANTS' ASSETS, AND 3) LIFE INSURANCE PREMIUMS. SWEDEN LIMITED OFFICIAL USE  
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WILL NOT REMOVE DEROGATION ON DIRECT INVESTMENT ABROAD BY SWEDISH RESIDENTS, BUT SPECIAL COMMISSION IS BEING ESTABLISHED TO DISCUSS THIS ISSUE AND SUBMIT REPORT BY SUMMER 1974. CONSEQUENTLY, COMMITTEE ACCEPTED SWEDISH SUGGESTION THAT REVIEW OF DEROGATIONS BE POSTPONED UNTIL NEXT YEAR.

6. COMMITTEE ACTIVITIES. REGARDING STUDY ON FOREIGN INVESTMENT IN YUGOSLAVIA, REVISED DOCUMENT NOW IN BELGRADE FOR COMMENTS AND WILL BE RETURNED FOR FINAL IC CONSIDERATION AT DECEMBER MEETING. US ALTERNATE RAISED QUESTION OF DIRECT INVESTMENT STUDY SCHEDULED TENTATIVELY FOR DISCUSSION AT JANUARY MEETING. HE NOTED THAT DURING EXECUTIVE COMMITTEE DISCUSSION OF FISCAL AFFAIRS DIRECTORATE BUDGET FOR 1974, US REP HAD SUGGESTED POSSIBILITY POSTPONING THIS STUDY UNTIL AFTER XCSS HAD TERMINATED ITS DELIBERATIONS. IC SHOULD CONSIDER HOW IT WANTED TO ALLOCATE AVAILABLE RESOURCES IN VIEW OF CONSIDERABLE BACKLOG OF WORK ON CAPITAL MARKET STUDIES AND EXAMINATIONS OF COUNTRY RESERVATIONS. SECRETARIAT OPPOSED THIS SUGGESTION ON GROUNDS THAT ANNUAL ONE-DAY SESSION ON INWARD DIRECT INVESTMENTS NECESSARY TO KEEP IC UP TO DATE ON DEVELOPMENTS

THIS AREA. SEVERAL MEMBERS SUPPORTED SECRETARIAT VIEW. IC  
DECIDED POSTPONE DISCUSSION THIS ISSUE ONLY UNTIL  
MARCH MEETING SO THAT SECRETARIAT WOULD HAVE AMPLE TIME TO  
REVISE DOCUMENTS.

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R 131834Z NOV 73

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INFO AMEMBASSY ANKARA  
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7. REVIEW OF FRENCH CAPITAL MARKET (REF B). FRENCH RESPONDED TO QUESTIONS POSED BY SWEDISH AND AUSTRIAN EXAMINERS ON FOLLOWING SUBJECTS:

- (1) NATURE OF FRENCH PLANNING.
- (2) GOVERNMENT INFLUENCE ON INVESTMENTS.
- (3) FINANCING OF ENTERPRISE.
- (4) INTEREST RATES, SUBSIDIZATION OF CREDIT AND ALLOCATION OF FINANCIAL RESOURCES.
- (5) INTEGRATION OF FRENCH CAPITAL MARKET WITH INTERNATIONAL MARKET.

8. FRENCH DEL DESCRIBED TARGET AREAS OF VITH PLAN AS GROWTH, FULL EMPLOYMENT AND IMPROVED TRADE BALANCE. PLAN WAS BASICALLY INDICATIVE OF OBJECTIVES GOVERNMENT HOPED TO ACHIEVE AND COULD BE MODIFIED AS NECESSARY. BASIC ASSUMPTION OF PLAN NOT SEEN TO BE AFFECTED BY RECENT UPSURGE IN INFLATION RATES. NOR WAS POSSIBLE UNDERESTIMATION OF INTEREST RATE CRITICAL, AT 6-1/2 PERCENT FOR 1975, SINCE INTEREST RATES NOT SO IMPORTANT A DETERMINANT OF INVESTMENT AS DEMAND TRENDS AND WAGE LEVELS. REGARDING EXTENT OF GOVERNMENT CONTROL OVER LEVEL OF INVESTMENT, FRENCH NOTED THAT CONSULTATIONS DO OCCUR WITH ENTERPRISES PLANNING TO ENTER FINANCIAL MARKETS, BUT THERE ARE NO DIRECT CONTROLS.

9. REGARDING GOVERNMENT INFLUENCE ON INVESTMENT, FRENCH REPS STATED THAT GOVERNMENT COULD INTERVENE IN INVESTMENT DECISIONS OF NATIONALIZED FIRMS AS PART OF CONTRA-CYCLICAL POLICY, BUT THIS WAS TO BE AVOIDED IF POSSIBLE. ALSO, TIMING OF DISBURSEMENTS OF "FONDS CONJONCTURELLES" WAS BASED ON CYCLICAL REQUIREMENTS. MAIN DISCUSSION CENTERED ON DESIRABILITY OF FINANCIAL AUTONOMY FOR LOCAL AUTHORITIES. UNDER PRESENT SYSTEM, NATIONWIDE D'EPARGNES (SAVINGS BANKS) CHANNEL FUNDS EXCLUSIVELY TO PARIS-BASED CAISSE DES DEPOTS FOR DISBURSEMENT TO LOCAL AUTHORITIES AT PREFERENTIAL RATES. THIS HAS INVOLVED BASICALLY POLITICAL PROBLEM OF EXCESSIVE CENTRAL AUTHORITY OVER LOCAL GOVERNMENT AFFAIRS. FRENCH REPS NOTED RECENT FREEDOM OF LOCAL GOVERNMENTS TO BORROW LONG-TERM FROM BANKS, BUT DOUBTED WHETHER COMPLETE DECENTRALIZATION OF LENDING AUTHORITY TO LOCAL CAISSE

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D'EPARGNES WOULD BE BENEFICIAL TO LOCAL INTERESTS. MAIN PROBLEM WOULD BE TERMINATION OF EFFECTIVE REDISTRIBUTION OF INCOME FROM RICHER TO POORER AREAS WHICH IS IMPLICIT IN PRESENT CENTRALIZED SYSTEM. POORER AREAS WOULD NO LONGER BE ABLE BORROW IN EXCESS OF LOCAL SAVINGS POTENTIAL.

10. DISCUSSION OF ENTERPRISE FINANCIAL CENTERED ON AVAILABILITY LONG-TERM CREDIT AND ON PROBLEMS OF SMALL-SCALE ENTERPRISES IN OBTAINING RISK CAPITAL. FRENCH DENIED THERE WAS SHORTAGE OF LONG-TERM CREDIT IN FRANCE AND POINTED TO CONSIDERABLE GROWTH IN BOND AND SHARE ISSUES SINCE 1969. COMMERCIAL BANKS' RETICENCE TO LEND LONG TERM WAS NOT DUE TO LEGAL OR ADMINISTRATIVE OBSTACLES, BUT RATHER TO TRADITIONAL PRACTICE AND CONSERVATIVE MANAGEMENT. ALSO, EFFICIENCY OF COMMERCIAL BANKS AS CREDIT DISBURSEMENT AGENCIES WAS HAMPERED BY OVER-CENTRALIZED DECISION-MAKING. WITH REGARD TO SMALL AND GROWING FIRMS, THERE WERE WELL-KNOWN PROBLEMS OF LACK OF ACCESS TO SECURITY MARKETS AND TO SPECIALIZED GOVERNMENT CREDIT INSTITUTIONS. THE LATTER TENDED TO CONCENTRATE THEIR LENDING ON LARGE-SCALE ENTERPRISES IN SUPPORT OF GOVERNMENT POLICIES FAVORING RATIONALIZATION OF INDUSTRY. (SUCH POLICIES NOW BEING RE-EXAMINED.) SMALL FIRMS REMAINED HEAVILY DEPENDENT ON DISCOUNT CREDIT WHICH WAS ALLOCATED MAINLY ON BASIS PAST PERFORMANCE NOT FUTURE PROSPECTS. FRENCH REPS ADMITTED THAT PROBLEM OF SMALL FIRM FINANCE NOT YET SOLVED IN FRANCE, AND WONDERED WHETHER IN FACT IT WAS SOLVABLE WHEN HIGH FAILURE RATE OF SUCH FIRMS ACTS AS DIS-INCENTIVE TO POTENTIAL LONG-TERM LENDERS.

1. REGARDING INTEREST RATES, BRIEF DISCUSSION FOCUSED ON PROBLEMS OF MEASURING TRANSFER EFFECTS OF PREFERENTIAL LENDING RATES FOR AGRICULTURE AND HOUSING. SINCE NOW LESS JUSTIFICATION FOR FURTHER PREFERENTIAL TREATMENT THESE SECTIONS, FRENCH AUTHORITIES BECOMING CONCERNED REGARDING EFFICIENCY OF RESOURCE ALLOCATION VIA PREFERENTIAL RATES. DISCUSSION PRODUCED NO USEFUL CONCLUSIONS.

12. WITH RESPECT TO INTEGRATION OF FRENCH CAPITAL MARKET WITH INTERNATIONAL MARKET, FRENCH REPS MADE PLAIN THEIR DESIRE INCREASE IMPORTANCE OF PARIS AS INTERNATIONAL FINANCIAL CENTER. ACCORDING FRENCH REPS, OBJECTIVE OF OPENING FRENCH CAPITAL MARKET TO INTERNATIONAL INVESTORS HAS ALREADY LARGELY BEEN LIMITED OFFICIAL USE  
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ACHIEVED. FOREIGN BORROWERS HAVE BEEN ENCOURAGED LIST ABROAD. ABOUT ONE-THIRD OF PARIS LISTINGS ARE NOW FOREIGN. REGARDING BONDS, FOREIGNERS WERE WELCOME TO BORROW IN FRANCE, BUT VERY FEW DID SO BECAUSE RATES TOO HIGH. BERTRAND (SECRETARIAT) TOOK ISSUE WITH FRENCH CLAIMS, NOTING THAT ONLY VIEW NEW SECURITIES HAD RECENTLY BEEN ADMITTED TO MARKET (WHILE OVER 100 IN LUXEMBOURG), THAT FRENCH COMPANIES NOT GOING ABROAD, THAT BOND MARKET RATES NOT OUT OF LINE WITH INTERNATIONAL RATES. FRENCH REPS POINTED OUT THAT 90 PERCENT OF APPLICATIONS FOR LISTING WERE APPROVED, THAT FRENCH COMPANIES HAD HAD TECHNICAL PROBLEMS WITH DISCLOSURE REQUIREMENTS WHEN GOING ABROAD, BOND MARKET SUFFERED FROM HIGHER THAN AVERAGE COSTS OF INTERMEDIATION, LEVIES AT SOURCE, AND 10 PERCENT LOADINGS. OUTCOME THIS DISCUSSION WAS THAT LEVEL OF FOREIGN

TRANSACTIONS IN FRANCE NOT RISING AS FAST AS EXPECTED, GIVEN  
FRENCH OFFICIAL ATTITUDES, AND SOME DOUBT REMAINED AMONG IC  
MEMBERS WHETHER ADMINISTRATIVE BARRIERS HAD BEEN ADEQUATELY  
REMOVED. GERMAN ALTERNATE SUGGESTED THAT RECENT FRENCH CHANGE  
FROM STRUCTURAL DEFICIT TO EQUILIBRIUM ON EXTERNAL ACCOUNT WAS  
NEW EXPERIENCE FOR  
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MINI-CRISES. HE BELIEVED, MOREOVER, THAT DEROGATION NOT NEEDED FOR CODE PURPOSES IF MACHINERY FOR CONTROLS SIMPLY BEING MAINTAINED AND NOT ACTUALLY UTILIZED. (FYI: LATTER POINT EMPHASIZES WAY IN WHICH CODE SHOULD WORK - REQUIRING NOTIFICATION AND DEROGATION WHEN CONTROLS ARE APPLIED, REMOVAL OF DEROGATION WHEN CONTROLS ARE LFTEN, EVEN IF STANDBY CONTROLS ARE MAINTAINED BUT WITH ALL APPLICATIONS FOR TRANSFERS BEING AUTOMATICALLY APPROVED.)

14. WITH REGARD SPECIFIC DEROGATIONS, IC AGREED THAT DEROGATION NOT NECESSARY ON OUTWARD GIFTS AND DOWRIES, SINCE APPROVAL AUTOMATIC ON ALL AUTHENTIC TRANSFERS, AND CONTROLS USED ONLY FOR PURPOSE OF VERIFICATION. WITH REGARD DEROGATION ON REAL ESTATE HOLDIGS ABROAD, SECRETARIAT (SCHLEPEGRELL) SUGGESTED ONE WAY TO CONTROL SPECULATION MIGHT BE TO DEPOSIT TITLE DEEDS IN FRENCH BANK WHERE TRANSACTIONS COULD BE MONITORED WITHOUT NEED FOR FORMAL CONTROL OVER ALL FOREIGN REAL ESTATE PURCHASES. WITH REGARD FRANC LOANS AND CREDITS TO FOREIGNERS, IMPLEMENTATION WAS LIBERAL BUT FRENCH AUTHORITIES CONVINCED THAT MACHINERY MUST BE MAINTAINED IN CASE OF FUTURE NEED GERMAN DELEGATE NOTED INCONCISTENCY OF MAINTAINING MEASURES TO CONTROL CAPITAL OUTFLOWS AT TIME WHEN NEWSPAPERS HAD BEEN REPORTING FRENCH CONSIDERATION OF FRANC REVALUATION. FRENCH REPS INVITED TO CONSULT THEIR AUTHORITIES AND INFORM COMMITTEE IF ANY CHANGES COULD BE MADE.

15. THIRD EXAMINATION OF FRENCH RESERVATIONS (REF D). IC EXAMINED FRENCH RESERVATIONS TO CAPITAL MOVEMENTS CODE FOR FIRST TIME IN IX YEARS. FRENCH PROPOSED INTRODUCE AN ADDITIONAL LIST BE RESERVATION AND MAINTAIN EXISTING FOUR TO CONVER FOLLOWING FIVE AREAS:

- (1) ISSUE OF DOMESTIC BONDS ON FOREIGN CAPITAL MARKETS (LIST B, III/A1(B))
  - (2) INTRODUCTION OF FOREIGN SECURITIES ON A RECOGNIZED DOMESTIC SECURITY MARKET. (LIST A, III/B2)
  - (3) ISSUE OF FOREIGN SECURITIES ON A DOMESTIC CAPITAL MARKET (LIST B III/B1)
  - (4) SALE BY NON-RESIDENTS OF COLLECTIVE INVESTMENT SECURITIES
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- (LIST A, V/A2)
- (5) CREDITS AND LOANS GRANTED BY NON-RESIDENTS TO RESIDENTS (LIST B, IX/A)

16. REGARDING RESERVATIONS 1 AND 5 ON CAPITAL INFLOWS, IC ACCEPTED FRENCH NEED TO MAINTAIN RESERVATIONS FOR REASONS OF MONETARY POLICY. HOWEVER IC FOUND THAT CONTROLS WERE NOT SO STRICT



IN PRACTICE AS REF D PARAS 10 AND 22 WOULD INDICATE, SINCE BOND PLACEMENTS BY FRENCH COMPANIES ABROAD WERE FREQUENTLY APPROVED IF PROCEEDS WERE TO BE USED OUTSIDE FRANCE. RELEVANT PARAS WILL BE REDRAFTED.

17. REGARDING RESERVATIONS 2, 3 AND 4 ON OUTWARD CAPITAL MOVEMENTS, IC SHOWED CONSIDERABLE DOUBT THAT FRENCH RATIONALE OF DOMESTIC INVESTOR PROTECTION WAS VALID REASON FOR MAINTAINING RESERVATIONS. COMMITTEE UNEASINESS WITH RESERVATION 2 STEMMED FROM FOUR SOURCES:

(1) INVESTOR PROTECTION RATIONALE HAD NEVER BEEN MENTIONED BEFORE IN CONNECTION THIS RESERVATION. PREVIOUS RATIONALE OF CONTROLLING OUTWARD CAPITAL MOVEMENTS FOR BALNCE OF PAYMENTS REASONS, AND OF PROTECTING NARROW FINANCIAL MARKET FROM OUTSIDE COMPETITION FOR SCARCE FUNDS, NOW NO LONGER APPLICABLE.

(2) APPARENT DISCRIMINATION BETWEEN FOREIGN AND DOMESTIC INVESTORS SINCE FOREIGN APPLICANTS SUBJECT TO MINFIN EXAMINATION AS WELL AS NORMAL EXAMINATION BY BOURSE.

(3) APPARENT PRECAUTIONERY NATURE OF RESERVATIONS, SINCE ALMOST ALL FOREIGN APPLICATIONS FOR DOMESTIC LISTING WERE BEING ACCEPTED.

(4) INCONSISTENCY BETWEEN STATED DESIRE OF FRENCH AUTHORITIES TO ENCOURAGE GROWTH OF INTERNATIONAL CAPITAL MARKET IN FRANCE, AND CONTINUED MAINTENANCE OF EXTENSIVE PROCEDURAL REQUIREMENTS FOR FOREIGN APPLICANTS.

FRENCH DELS RESISTED SUGGESTION OF DISCRIMINATION, NOTING THAT BOURSE APPLIED SAME STANDARDS TO ALL APPLICANTS WHETHER FOREIGN OR DOMESTIC, WHILE INFIN ONLY INTERESTED IN WHETHER FOREIGN LIMITED OFFICIAL USE  
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LEGAL FORMS AND PROCEDURES CONSISTENT WITH FRENCH PRACTICE. IC UNABLE DETERMINE WHETHER COMPANIES FULFILLING REQUIREMENTS OF BOURSE MIGHT BE DENIED APPROVAL OF MINFIN. MUCH UNCERTAINTY AS TO WHY BOURSE COULD NOT HAVE FINAL SAY IN DETERMINING WHETHER FOREIGN COMPANIES COMPLY WITY FRENCH STANDARDS. SEVERAL DELS POINTED OUT THAT NO RESERATION REQUIRED IF SAME STANDARDS APPLIED TO FOREIGN AND DOMESTIC COMPANIES. IC INVITED FRENCH TO RECONSIDER NEED FOR RESERVATION AND REPORT BACK.

18. REGARDING RESERVATION 3, FRENCH INSISTED THAT WEAKNESS OF DOMESTIC BOND MARKET DUE TO HIGH LEVEL OF RATES AND NOT TO RESTRICTIONS. RESERVATION STILL REQUIRED TO PROTECT DOMESTIC INVESTORS AND TO REGULATE NUMBER OF FOREIGN ISSUES OVER TIME. US DEL ASKED WHETHER ISSUES BY INTERNATIONAL

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## Message Attributes

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